

Message Text

LIMITED OFFICIAL USE

PAGE 01 JIDDA 01275 161314Z

46

ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-11 EUR-06 DRC-01 RSC-01 /030 W
----- 121054

R 161214Z MAR 74
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 6412
INFO AMCONSUL DHAHRAN
AMEMBASSY BEIRUT
AMEMBASSY KUWAIT
AMEMBASSY BONN

LIMITED OFFICIAL USE JIDDA 01275

E.O. 11652: N/A

TAGS: BEXP, SA

SUBJECT: JIDDA AIRPORT WILL GO GERMAN

REF: A. JIDDA 804

B. BEIRUT 2827

SUMMARY: DIRECTOR GENERAL CIVIL AVIATION (DGCA) BRIEFED
AMBASSADOR MARCH 13 ON HIS FINAL RECOMMENDATION TO SAG THAT
300 MILLION DOLLAR JIDDA AIRPORT CONTRACT SHOULD BE GIVEN
TO ONE OF TWO GERMAN BIDDERS. AMBASSADOR SUBMITTED
INFORMAL AIDE-MEMOIRE IN SUPPORT OF BROWN AND
ROOT TO MINISTER DEFENSE PRINCE SULTAN MARCH 10,
BUT DGCA CONFIRMED LACK OF FIRM BID FROM AMERICAN
COMPANY HAS REDUCED CHOICE TO GEGMAN CONTRACTORS.
ANAIA ALSO EXPRESSED HOPE THAT LITIH CONTRACTORS
WILL NOT BE PERMITTED RENEGOTIATE AT SOME LATER DATE.
DGCA SAID THIS WOULD NOT BE PERMITTED TO HAPPEN AND
HINTED STRONGLY AT POSSIBLE CHOICE OF AMERICAN FIRMS
TO BOTH DESIGN AND BUILD RIYADH AIRPORT. IN VIEW
WITHDRAWAL OF BROWN AND ROOT FROM FURTHER EFFORTS,
WE ARE SATISFIED EVERYTHING HAS BEEN DONE THAT COULD
BE DONE. END SUMMARY

1. DIRECTOR GENERAL CIVIL AVIATION ABDULLAH MAHDI,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JIDDA 01275 161314Z

UNDER INSTRUCTIONS FROM MINISTER DEFENSE PRINCE SULTAN

CALLED ON AMBASSADOR MARCH 13 FOLLOWING REPRESENTATIONS ON BEHALF BROWN AND ROOT MADE IN RIYADH MARCH 10. AMBASSADOR HAD SUBMITTED INFORMAL AIDE-MEMOIRE SUPPORTING AMERICAN CONTRACTOR, WHO HAD SUBMITTED INITIAL LOW BID BUT WITH COST PLUS TYPE ESCALATION PROVISIO.

2. DGCA CONFIRMED THAT ONE OF TWO GERMAN FIRMS, EITHER HOLZMAN OR HOCHTIEF, WOULD BE SELECTED TO BUILD BILLION RIYAL INTERNATIONAL AIRPORT FOR JIDDA. GERMANS HAD AGREED TO FIRM PRICE WHICH BROWN AND ROOT WITH REGRETS DECLINED TO DO (REFTEL B).

3. DGCA SAID THAT HE WISHED TO ASSURE AMBASSADOR THAT FULL SCALE REVIEW OF BIDS BY ICAO AND AMERICAN CONSULTING FIRM INCLUDING SEVERAL INTERVIEWS WITH BROWN AND ROOT REPRESENTATIVES HAD MADE CLEAR COMPANY WAS PREPARED TO CONSTRUCT AIRPORT AND HAD CAPABILITY TO DO AN EXCELLENT JOB BUT DID NOT APPEAR TO BE COMPETITIVE WITH GERMAN BIDS. RECOGNIZING NECESSITY FOR HEDGING AGAINST INFLATING CONSTRUCTION COSTS, MAHDI SAID THAT AMERICAN CONTRACTORS HAD NOT GIVEN FULL ENGINEERING-TYPE RESPONSE TO BID TENDER. HE PERSONALLY WOULD HAVE PREFERRED AMERICAN FIRM AND WOULD HAVE WORKED STRONGLY FOR CHOICE OF FIRM AND NEGOTIATED BID, BUT IN VIEW OF HISTORY OF JIDDA AIRPORT PROJECT, INTERNATIONAL TENDERS HAD SEEMED TO BE BEST WAY TO ASSURE PRICE COMPETITIVENESS. BROWN AND ROOT HAD BEEN OFFERED CHANCE TO BID FIRM AT 1.2 BILLION OR EVEN 1.3 BILLION RIYALS, WHPH THEY WERE UNABLE TO RESPOND TO, WHILE GERMAN BIDDERS HAD ACTUALLY LOWERED THEIR INITIAL BIDS, IN THE CASE OF HOLZMAN, FROM 1.175 TO 1.06, WITHIN A FEW THOUSAND RIYALS OF THE HOCHTIEF BID. BOTH WERE, ACCORDING TO MAHDI, STILL COMPETING FIERCELY.

4. AMBASSADOR NOTED THAT AMERICAN FIRM WAS HIGHLY RESPONSIBLE AND THAT EUROPEAN BIDDERS OFTEN BID LOW IN ANTICIPATION RENEGOTIATION AT SOME LATER DATE. HE HOPED THAT THIS WOULD NOT OCCUR AND SAID THE U.S. WOULD BE QUITE DISTURBED IF THIS TACTIC WERE ALLOWED TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JIDDA 01275 161314Z

SUCCEED DURING CONSTRUCTION. WE WERE QUITE SURE GERMANS WOULD GET INTO DIFFICULTIES. DGCA AFFIRMED SEVERAL TIMES THAT THIS POINT HAD BEEN RAISED AND THAT NO ESCALATION WOULD BE PERMITTED ASIDE FROM ENGINEERING CHANGES MUTUALLY AGREED TO INCLUDING EXPANSION OF CONSTRUCTION SLIGHTLY TO ACCOMMODATE, AMONG OTHER CHANGES, SOME MINIMAL MILITARY FACILITIES AT JIDDA AIRPORT. AMBASSADOR SAID THAT HE HOPED THIS WAS THE CASE.

5. DGCA MENTIONED TWICE, IN RESPONSE TO QUESTIONS, PLANS FOR NEW RIYADH AIRPORT, WHICH IS NOW BEING EXPEDITIED. BECHTEL IS BEING INVITED TO SUBMIT DESIGN PROPOSALS, AND , HE INFERED, AN AMERICAN CONTRACTOR MIGHT BE SELECTED FOR A NEGOTIATED BID ON THE CONSTRUCTION. COMMENT: WE BELIEVE WE HAVE DONE OUR BEST IN EVEN SECURING, OVER GREAT DIFFICULTIES, A FORMAL AMERICAN BID FOR THIS LARGEST CONSTRUCTION CONTRACT IN SAUDI GOVERNMENT HISTORY AND IN SUPPORTING THAT BID. FACT THAT AMERICAN CONSULTANT FIRM WITH INTERNATIONAL CIVIL SERVANTS PRESENT PREPARED RECOMMENDATIONS TO ACCEPT GERMAN BID SHOULD BE PROOF THAT A REASONABLY HONEST, IF SLIGHTLY SHORT-SIGHTED, EVALUATION WAS MADE. WE WILL WATCH THIS PROJECT AND MAKE SAG AWARE OF OUR UNHAPPINESS IF ANY ESCALATION IS PERMITTED.
AKINS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA01275
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740337/aaaabiso.tel
Line Count: 132
Locator: TEXT ON-LINE
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. JIDDA 804
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2002 by shawdg>; APPROVED <27 JUN 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JIDDA AIRPORT WILL GO GERMAN
TAGS: BEXP, SA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005